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DIRECTORATE OF  
INTELLIGENCE

# *WEEKLY SUMMARY*

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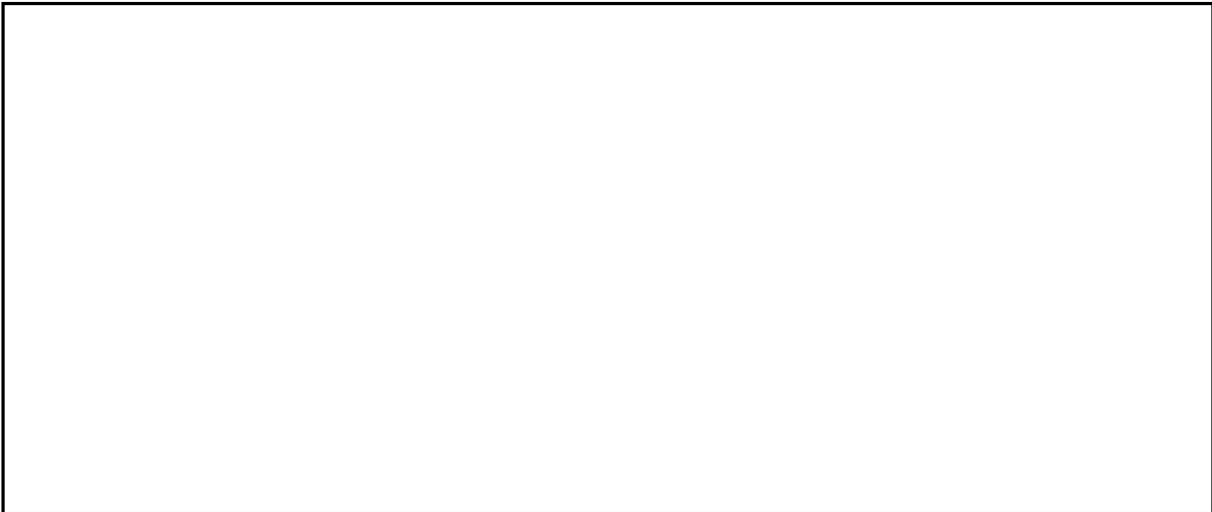
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The Belaunde administration and the opposition-controlled Congress are again at odds, this time over the best way to handle economic problems, particularly the financing of the 1968 budget now before Congress.

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## FAR EAST

Military activity in South Vietnam remained at a relatively low level last week but there were indications that Communist forces are preparing a new offensive in northwestern Quang Tri Province near the Demilitarized Zone. There was further evidence of closer coordination between Viet Cong and North Vietnamese operations, with Viet Cong harassing attacks at widely scattered points aimed at relieving allied pressure on Communist main force units.

With the approach of holiday truce periods, Soviet spokesmen have renewed efforts to persuade the US to prolong the projected bombing pause. They have privately intimated that Hanoi would promptly agree to talks if the US refrained from setting a terminal date for the pause. The North Vietnamese, however, have not joined this effort and there is no indication that the Soviets are acting at Hanoi's behest.

Cambodia's heightened concern that the war might spread into its territory was evident in Phnom Penh's reaction to President Thieu's statement reserving the right to pursue Communist forces into Cambodia. A Cambodian statement denounced Thieu's warning as an attempt to "bring the war into Cambodia on false pretexts" and again denied that there are Communist forces on Cambodian territory.

Disorder continues to spread in China against a background of vacillation in Peking and at least covert encouragement of radical Red Guard groups by militant Maoists. In foreign affairs, the Chinese are trying to force Hong Kong authorities to ease their harassment of local Communists by stalling on granting exit visas to British diplomatic personnel in Peking. When the Chinese relaxed restrictions on the British mission in late November, they had implied that normal procedure in issuing visas would be restored. Despite this attempt to put pressure on the Hong Kong government, the Chinese Foreign Ministry has professed a desire to normalize relations with Britain.

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## VIETNAM

Recent developments in the area surrounding Khe Sanh in western Quang Tri Province suggest that the Communists may be preparing for another major offensive.

US reconnaissance patrols staging from the US Marine garrison at Khe Sanh have encountered numerous small enemy forces in the mountains northwest of their base. Additionally, the Special Forces camp at Lang Vei and other nearby friendly field positions have been repeatedly attacked by mortar and recoilless rifle fire in recent weeks. This increase in Communist-initiated activity may be a prelude to a large-scale offensive.

Heavy monsoon rains have disrupted overland allied supply lines and have limited the tactical movements of Long range reconnaissance patrols. Route 9--the only access road into Khe Sanh and Lang Vei from supply points to the east--is presently closed to vehicular traffic and will not be reopened until the current monsoon rains taper off in January. The movement of men and materiel is now limited to airlifts when weather permits.

In the Mekong Delta, US troops and South Vietnamese Ma-

rines achieved a significant tactical victory over the Viet Cong 502nd local force battalion early this week. About six miles east of Sa Dec some 235 enemy soldiers were killed in a fierce day-long battle. Forty-one South Vietnamese and 13 Americans were killed.

The engagement resulted from an allied probe deep into Viet Cong - controlled territory--the first in this particular area since 1961. US military officials credited the strong leadership and aggressiveness of the South Vietnamese Marines with turning what threatened to be a costly ambush into a successful encounter that cut deeply into the strength of the enemy unit.

### Politics in South Vietnam

The recent friction generated over the attempted resignation of Police Director Loan and the conviction of some generals that the new government is inefficient and vulnerable to Communist infiltration appears to have eased for the moment.

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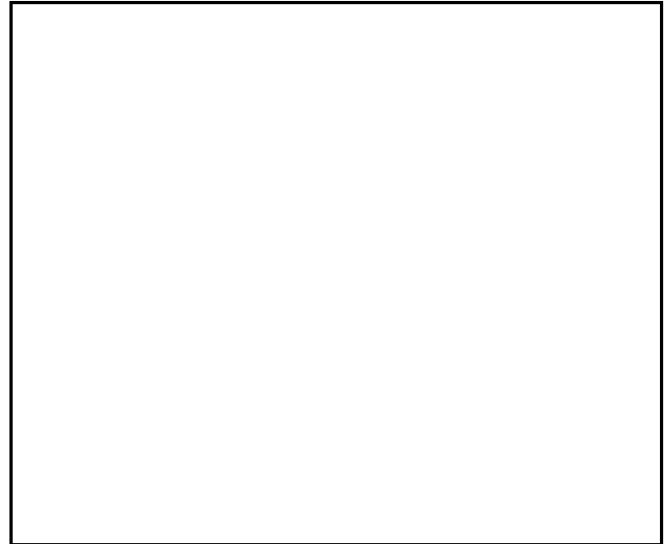
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The moderating influence so far exerted by Vice President Ky, who reportedly headed off a more serious crisis by persuading Loan to withdraw his resignation and by asking the other generals to give the government a chance, may have a stabilizing effect.

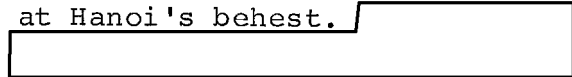
The government has announced that some 20 leaders of the 1966 Buddhist struggle movement, which centered in Hue and Da Nang, will be brought to trial on 19 December. The 20 include several army officers and Nguyen Van Man, the former mayor of Da Nang. The trial is likely to raise a furor among opposition elements, particularly the militant Buddhists and opposition deputies in the Lower House.

The Lower House has joined with the Upper House in calling for a review of the government's mobilization decree. Both houses have claimed that the decree's promulgation was unconstitutional because it lacked legislative approval and have invited government representatives to appear before them to defend it.



Soviets Press for  
Bombing Halt

Soviet diplomats on several occasions during the past week indicated unofficially that an indefinite cessation of the bombing of North Vietnam at this time would lead to talks with Hanoi. These reports appear to be the beginning of a campaign to persuade the US to extend any projected pause in the bombing of North Vietnam during the holidays. They are similar to Soviet efforts conducted prior to the Christmas truce period last year. Further Soviet approaches along this line are expected although there is no indication that Moscow is acting at Hanoi's behest.



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## DISORDERS PLAGUE CHINA DESPITE APPEALS FOR CALM

Clashes between rival Red Guard factions continue to be reported from widely scattered parts of China.

In eastern China, clashes continue in Kwangtung, Chekiang Kiangsu and Fukien provinces, and Red Guard factionalism also appears to be causing trouble in Anhwei and Hunan.

25X1 In the city of Canton [redacted]  
25X1 [redacted] serious  
fighting is on the increase.  
25X1 [redacted] a barrage of  
new posters have appeared in  
the streets and that hundreds  
of army men from the north are  
being brought into the city--  
presumably to control Red Guard  
25X1 factional fighting. [redacted]  
25X1 [redacted]  
25X1 [redacted] the Canton Trade  
Fair will be forced to shut down  
before the official 15 December  
25X1 closing date. [redacted]  
25X1 [redacted] little business has  
been transacted. A violent fight  
broke out at Canton's main rail  
station on 2 December. This is  
the first incident at the sta-  
tion since it was put under heavy  
army guard in September.

In many instances the mili-  
tary still appears willing to  
break up disturbances once they  
have occurred. Neither the army

nor Peking, however, seems willing to take the really decisive step to suppress the Red Guards who are instigating the disorder. Present policy appears to be to attempt to limit disturbances as much as possible while appealing for order and discipline--an approach that so far has been ineffective. This policy can at best yield only gradual and partial dividends for the proponents of moderation who are now formulating the regime's propaganda line.

Militant Red Guards appear to read Peking's vacillation as a sign that militant leaders in Peking still retain considerable strength. In these circumstances militant Red Guards continue to attempt to settle scores with conservative, locally oriented Red Guard groups and to launch somewhat muted propaganda attacks on provincial and local "persons in authority," which generally means local military figures. The radical Red Guards do not appear to be receiving overt support in these maneuvers from militant leaders in Peking, but they may be getting a degree of covert encouragement.

[redacted] Red Guard 25X1  
newspapers suggest that the radi-  
cals are attempting to justify  
their intransigence and continued

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activity by claiming that the ultimate authority--Mao himself--is sanctioning their actions. The papers publish selective excerpts from the Chairman's most recent "instructions" purporting to show that he tolerates and encourages continued Red Guard attacks on the "authorities." The regime's central propaganda media made use of these same "instructions" in mid-October to give the impression that last autumn's turn toward moderation had Mao's full backing.

The official press and radio continues to stress moderation and restraint. In the past week, propaganda has particularly emphasized the central role of the Communist Party, using laudatory

terms that have been conspicuously absent from official propaganda for the past year. The most explicit of these comments--a Shanghai newspaper editorial of 3 December--specifically stated that it "would be an extremely grievous mistake" to direct "revolutionary" activity against ordinary party members. The propaganda stresses the importance of "party-building," but in present circumstances there is little prospect of a reconstruction of the party machinery which was almost totally wrecked by the Cultural Revolution. The current propaganda line is probably an indication of the future hopes of the moderate camp rather than a call for immediate action to rebuild the party.

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## THAI ARMY INCREASES COUNTERINSURGENCY ROLE

The Thai Army is moving to extend its control over counterinsurgency operations in north-east Thailand.

example, maintains that the army will refrain from excessive interference in order not to disrupt US aid.

In any case, the army intends to adopt tougher tactics against the insurgents. The northeast army commander has stated that security forces are under orders to shoot on sight all suspects found in certain contested areas. He also said that the powers of arrest would be extended to all government officials and that they should ignore legal restraints in dealing with "Communist suspects." In the past, civilian officials have used legal niceties as an excuse for inaction.

The army was given full authority for the government's countersubversion effort last October, when Deputy Prime Minister Praphat announced that martial law would be implemented in the northeast. The army's jurisdiction over nonmilitary aspects of the counterinsurgency program, however, was left open to discussion. It appears that army leaders are anxious to assert at least nominal authority over rural development programs, although they will probably continue to leave the day-to-day direction to the civilians. The deputy chief of staff, for

There are continuing signs that the government's accelerated effort in the northeast is beginning to pay off. Insurgent activity during October reached its lowest level in the northeast in over a year. Despite minor inroads into previously unaffected areas, the insurgents have made no major gains in 1967, and apparently have had little success in improving their weak organization in the villages.

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## JAPANESE MERCHANT FLEET TO ENTER THE NUCLEAR AGE

Prime Minister Sato's recent authorization for construction of Japan's first nuclear-powered ship follows more than ten years of study of nuclear reactor and hull designs by the Japanese. The 8,300-gross-ton special purpose freighter was conceived as an oceanographic research ship, but recent reports indicate that it will be used instead to transport materials used in Japanese nuclear programs. Construction is scheduled to begin late next year, and the ship will be built entirely in Japan.

Japan has a well-developed program for the peaceful use of nuclear energy and probably is capable of developing a marine propulsion system. Nuclear-fueled electric power plants in Japan have been plagued by difficulties, however, and design problems in the even more exacting area of marine propulsion could cause postponement of the 1972 completion date projected for the nuclear freighter.

The \$30-million Japanese venture, conceived and financed jointly by government and industry, is an experimental project aimed at developing nuclear propulsion technology. Like other

countries entering the nuclear propulsion field, the Japanese expect their current efforts to put them in a good position to cash in on the anticipated demand for nuclear merchant ships once construction and fuel costs are reduced to a competitive level.

Nuclear energy is still too expensive to compete with conventional power for merchant ship propulsion. Nuclear-powered surface ship development is lagging behind the nuclear submarine programs under way in the US, USSR, France, and UK. The US Navy has the only four nuclear-powered warships afloat. The icebreaker Lenin, the USSR's only nuclear-powered surface ship, has been inactive for two years. The Italian Navy will enter the nuclear age with the Enrico Fermi, an auxiliary support ship now being designed. It is scheduled to be completed in 1972.

The USS Savannah presently is the only nuclear-powered merchant ship. West Germany is building a nuclear freighter, the Otto Hahn, which probably will begin sea trials next year.

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## SUHARTO REGIME SEEKS NEW SOLUTIONS TO OLD PROBLEMS

The Suharto regime is considering new approaches to some of Indonesia's intractable political and economic problems.

Acting President Suharto is said to be deeply concerned by the legislative impasse in parliament where the traditionalist National Party (PNI) and the Moslem Nahdatul Ulama (NU) usually block bills supported by the army and the various student and intellectual action fronts.

The most recent example is the draft election law which has been so altered in committee by PNI and NU representatives that parliamentary leaders--foreseeing deadlock on the floor--indefinitely postponed further consideration of the bill. Failure to pass an election law not only defers elections probably until 1970 but indicates the extent of parliament's legislative paralysis.

Consequently a drive for parliamentary reorganization has been undertaken by the action fronts and some army elements, apparently with Suharto's tacit approval. They suggest parliament's self-dissolution and a new membership appointed by Suharto. Since the present parliament is itself appointed and provisional, government elements claim that the proposed change would not be unconstitutional. It is too early to tell, however, whether the scheme has much prospect of success.

The rice shortage which has resulted in spiraling prices has

forced the government to respond to mounting criticism and face up to the long-standing but politically sensitive issue of corruption. Suharto has now authorized an impressive task force, headed by the attorney general and assisted by the justice minister and the four armed services commanders, to "eliminate corruption." Although the task force may prosecute a few lower level figures and perhaps one cabinet minister, high ranking army officers are unlikely to be removed from office. They may be induced, however, to curtail their illegal activities.

The government has not been totally remiss on the corruption issue and before establishing the task force had been taking steps against irregularities. For example, Major Gen. Ibnu Sutowo, [redacted]

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[redacted] director general for oil and natural gas, reportedly has been forced to turn oil revenues into the Bank of Indonesia rather than conduct independent operations as had been his practice for some years.

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Violence in rural West Kalimantan since early November by the Dayak tribal group has caused severe economic disruption in that area and created a serious refugee problem in the cities. Initially targeted against the Chinese, violence later was turned on Indonesian village officials. Although the violence has now been largely stopped, its political overtones are a reminder of Indonesia's ethnic diversity and the abiding problem of barely submerged separatist tendencies.

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## EUROPE

Moscow is still much occupied with the Arab world. What appeared in the beginning to be a limited Soviet move to build credit with the new regime in Yemen is now taking on the aspects of a deeper and perhaps risky commitment to prop up the beleaguered republicans.

The Soviets have also shown the flag again in Cairo. They flew in ten long-range bombers for what Moscow says is a brief visit. It was the first appearance of these planes in a non-Communist country. Moscow also promised Syria more aid.

In his opening address to the national party conference, Rumanian party chief Ceausescu again expressed differences with Moscow and indirectly accused the Russians of putting economic pressure on Rumania. Ceausescu had himself named president of the state and will continue as party chief.

The East German regime announced on 1 December that it will draft a new constitution, a move which it believes will strengthen its claims to sovereignty. In a major policy speech, party boss Ulbricht seemed to rule out the possibility for negotiations with Bonn on humanitarian or administrative questions unless his regime was granted recognition.

In Spain, student demonstrations against the regime continued and police severity in dispersing demonstrators has led to a student strike. Agitation may continue on and off until the Christmas holidays, but the police should be able to keep things from getting out of hand.

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## COST OF FRENCH NUCLEAR PROGRAMS TO REMAIN HIGH IN 1968

French expenditures for civil and military nuclear programs next year are likely to total nearly \$1.4 billion, only slightly less than in 1967. The recently adopted budget shows a small cut in the military's nuclear activities funds, but according to the armed services minister the exact calculation of the cost of atomic armament cannot be determined from one part of the military budget.

There will be some shifting of funds within the French nuclear program in 1968 because of the completion last year of at least two major projects--the Pierrelatte gaseous diffusion plant and the Pacific test center. Appropriations for "functioning and maintenance" for this test center are scheduled to rise next year as are funds for "tactical atomic arms." These increases will offset to some extent the reduction in capital construction costs now envisaged for 1968.

Total expenditures on the French nuclear program from its inception early in 1946 to the end of 1967 are about \$8.1 billion. About half of this sum has been spent during 1965-67.

The French armed forces have provided about 45 percent of the total amount expended on nuclear programs but their share of the total comes to about 70 percent when their part in projects essential to both military and civilian activities is taken into consideration. The military part of the nuclear program includes only facilities and activities related to the production of nuclear weapons and to the development of a nuclear propulsion system for submarines. The first nuclear submarine is expected to be operational in 1970.

In addition to the military portion of the program, the French have undertaken an ambitious program for the development of nuclear electric power. Officials have stated that at least one 500 megawatt electric nuclear power station will be built annually during 1968-70. These stations will be tied to reactors fueled with natural uranium unless enriched uranium for nonmilitary uses becomes available from the Pierrelatte installations.

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## SOVIETS ACTIVE IN THE MIDDLE EAST

The Soviets are missing no opportunities to make points with the Arab states by means of economic and military aid. Syrian and Yemeni delegations were recently in Moscow, a Soviet economic group is in Iraq, and one is scheduled to visit Jordan. A large Egyptian economic and industrial delegation will be in Moscow later this month. In an unprecedented gesture, ten Soviet long-range bombers flew to Cairo for a six-day visit--the first ceremonial flight of these aircraft to other than a Warsaw Pact nation.

The Yemeni delegation in Moscow was probably working out the specifics of new military assistance and discussing the use of unobligated Soviet economic credits extended in 1964.

Despite differences with Syria over a political settlement in the Middle East, Moscow renewed its promise to provide additional military and economic aid. Syria's chief of staff was with the Syrian delegation and the Soviet defense minister joined with Soviet foreign aid experts

in the discussions, suggesting that the entire aid program was reviewed. The communique that followed noted that the three top Soviets, Brezhnev, Kosygin, and Podgorny, had accepted an invitation to visit Damascus at an unspecified time.

While the deputy chairman of the State Committee for Foreign Economic Relations was meeting with the Syrian delegation, Committee Chairman Skachkov arrived in Baghdad to review the progress of the Soviet economic aid program for Iraq. His visit coincided with that of a Soviet petroleum delegation which was holding talks with the Iraq National Oil Company about possible assistance in oil exploration. When Skachkov completes his business in Iraq, he may go to Jordan to continue discussions on a Soviet economic aid offer made to King Husayn during his visit to Moscow in October.

A Soviet delegation recently spent two weeks in Lebanon investigating possible participation in development projects, but returned to Moscow with no agreements. [REDACTED]

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## CZECHOSLOVAK REGIME MAY UNDERGO SHAKE-UP

There are widespread rumors in Prague of forthcoming personnel changes in the party and government. There are even suggestions that Novotny may step down from one of his posts as president or party boss.

The party has been hamstrung by indecision resulting from basic disagreements between liberal and conservative elements in the leadership. This has prevented any effective response to such problems as the poor results of the economic reforms, dissidence within the intellectual community, and the growing disaffection of Czechoslovak youth.

The party central committee is scheduled to meet soon and may consider it necessary to act on these problems, particularly unrest among youth. University students have threatened a mass demonstration in downtown Prague on 15 December unless the regime responds to their complaints. The students are incensed over police brutality during a demonstration on 31 October and by the cavalier

handling of various other grievances. Novotny apparently believes that the problem is serious. He recently appointed Premier Lenart to investigate the student's charges. This may draw the students' anger away from Novotny, but it could undercut the security forces and add to the confusion.

It is unlikely that Novotny will be ousted at the plenum. He may, however, present the plenum with one or more "scapegoats." In the past when faced with serious problems, he has shifted various key officials to show that he is still in command. This tactic, in the present circumstances, would also buy time to work out new policies which would be acceptable to the different factions.

One move that Novotny might make would be to demote Jiri Hendrych, the regime's ideologist and the number two man in the party. Hendrych's hard-line views have made him many enemies within the party and he is even more un-  
popular than Novotny.

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## POLISH TEMPERS AROUSED BY INCREASES IN MEAT PRICES

The Polish party central committee's decision last month to increase meat prices from six to 33 percent was sound economically, but may have been a political mistake. Demands for meat have been growing with no prospect of meeting them. The increases, averaging 17 percent, were the first major anti-inflationary measure in nearly a decade. Many of the regime's economists believed it was overdue.

From a political point of view, however, the decision was risky. It affects most of the people and could trigger a reaction to a number of accumulated frustrations of political, economic, and social origin. The party leadership was aware of this, and apparently hesitated for several days--if not weeks--before it acted. When the regime saw, however, that even rumors of an impending rise in meat prices were enough to set off demonstrations in numerous factories, it put the new prices into effect. There were more demonstrations after the new prices were announced, but after a short time the outbursts subsided.

Spokesmen for the regime, however, have clearly been on the defensive. Poznan's party first secretary in his speech to the central committee charged anti-Communists with using the rise in meat prices as the basis for a campaign to undermine the confidence of the people in the party. For their part, the party rank-and-file share in the popular discontent.

Even though the central committee's speedy adoption of the measure suggests broad agreement with it, many of the committee members may seek to soften its impact once confronted with pressures from the localities where they live and work.

Furthermore, it is not clear that the regime will be able to contain popular dissent without offering some palliatives. In the meantime, one of the party's contending factions might attempt to exploit public dissatisfaction for its own political ends. If so, the regime could be faced with the prospect of having to make a basic decision on whether to try to satisfy or to suppress the public's expectations.

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## MIDDLE EAST - AFRICA

The problems in the area continue to fester and any attempts to cure them will involve protracted negotiations.

The withdrawal of Greek mainland troops from Cyprus will result in increasing trouble for both Athens and Ankara in handling the Turkish Cypriot community. Makarios, too, will be harder to keep in line. The UN Security Council is scheduled to discuss the Cyprus problem in mid-December.

The royalists in Yemen have besieged Sana, the capital of the new republican regime. [REDACTED]

[REDACTED] republican morale is low as a result of royalist advances. Military pressures have stalemated efforts to negotiate a viable government.

Continued terrorist activity in the West Bank and Israel leaves open the possibility of further Israeli reprisals against Jordan. Aggressive Israeli air patrols along the cease-fire line with Egypt will not be inhibited by the loss of an Israeli plane on 1 December to Egyptian antiaircraft fire.

In India the highly emotional language issue has flared up again. Several northern cities are in the throes of student agitation against a government-sponsored bill that would ensure continued use of English as an associate official language. The political crisis in West Bengal is still unresolved, but the violence in Calcutta has subsided considerably.

In Africa, the planned Belgian airlift of the mercenaries detained in Rwanda is likely to arouse an explosive Congolese reaction. Mobutu apparently still hopes to get reparations.

The OAU mission to Nigeria has been unable to contact secessionist Biafra, and the civil war is at a standoff on the ground but active in the air. [REDACTED]

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## WAR THREAT ON CYPRUS APPEARS OVER, BUT PROBLEMS REMAIN

The danger of war in the latest Cyprus crisis appears to be over, but the basic problems which have plagued the island since 1960 remain unresolved. Discussions on a broadened UN pacification role in Cyprus are expected to begin in the UN Security Council soon.

The governments of Cyprus and Turkey, however, are still in fundamental disagreement over future arrangements for internal security, and the problem of verifying Greek troop withdrawals from the island could cause a new dispute between Athens and Ankara.

Greece, Turkey, and Cyprus have accepted UN Secretary General Thant's appeal of 3 December calling for expeditious withdrawal from Cyprus of Greek and Turkish troops in excess of their legal contingents. Thant also suggested an enlarged mandate for the UN force, giving it the function of supervising disarmament and devising measures to safeguard internal security. The present mandate for a UN presence on Cyprus expires on 26 December.

Although Athens has not completed a schedule for the withdrawal of its troops from Cyprus, a Greek ship is on its way to the island, and plans call for the removal of one battalion of 500-600 men as soon as possible.

The Greek Government says it cannot accept UN supervision of the troop withdrawal as asked by Ankara. The Turkish Government has called for the exercise of "the greatest vigilance" in this matter, but the Greeks say that withdrawal will be made in broad daylight and can be easily observed without impugning Greek good faith.

Turkey has prepared plans for a relaxation of the military alert, but first wants to see the Greek withdrawal actually start. In any case, the relaxation will not immediately affect the build-up of ground forces in southern Turkey; the attitude of the Greek Cypriots on short-term pacification measures will have a strong bearing on when these forces will begin dismantling.

In his reply to Thant's appeal, Cypriot President Makarios made it clear that he favors withdrawal of the Greek and Turkish legal contingents as well as the illegal forces, and that he will insist on effective guarantees against military intervention in Cyprus. Ankara is not likely to give up its right of intervention, or to remove its 650-man contingent--both of which it believes are essential for the protection of the Turkish Cypriots. Turkey also insists that disarmament on the island should include "all forces

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constituted after 1963," which would include the Greek Cypriot National Guard. Makarios, who relies heavily on the National Guard to maintain his control over the Turkish Cypriot enclaves, is not likely to agree to such a demand.

Essentially, the problem revolves around the Turkish Government's determination to protect the rights of the Turkish Cypriots, and Makarios' goal of eliminating the Turkish Cypriot enclaves. It is this deadlock which will have to be broken before any permanent solution to the Cyprus situation can be found. [REDACTED]

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## GOVERNMENT FORMED IN PEOPLE'S REPUBLIC OF SOUTH YEMEN

The General Command of the National Liberation Front (NLF) has announced the formation of a new government in South Yemen with Qahtan al-Shaabi, leader of the NLF, serving as president for a two-year term. The General Command also defined itself as the country's legislative authority pending preparation of a provisional constitution.

Al-Shaabi, who is acting as prime minister and supreme commander of the armed forces as well as president, heads a 12-man cabinet. The son of a former sultan of a small area which was forced into Lahej state, al-Shaabi served in the government of that state before founding the NLF in 1963. At least six of the remaining cabinet members belong to the NLF General Command, [REDACTED]

[REDACTED] One of these, the minister of economy, commerce, and planning, is Qahtan al-Shaabi's cousin and second in command of the NLF. The new minister of foreign affairs is also chairman of the NLF political committee.

The ministers of interior and of culture and national guidance seem to have distinguished themselves primarily as leading NLF terrorists. The ministers of justice and of education, in contrast, are well qualified in their fields. Two of the cabinet members are almost entirely unknown.

The first days of the new government have been quiet. There has been none of the looting anticipated in areas formerly occupied by British troops and civilians. Semiuniformed "people's guards" are for the most part confining their activities to back streets, where they are effectively keeping order. The rival Front for the Liberation of Occupied South Yemen has as yet made no move to initiate military operations after the British departure, despite earlier threats. [REDACTED]

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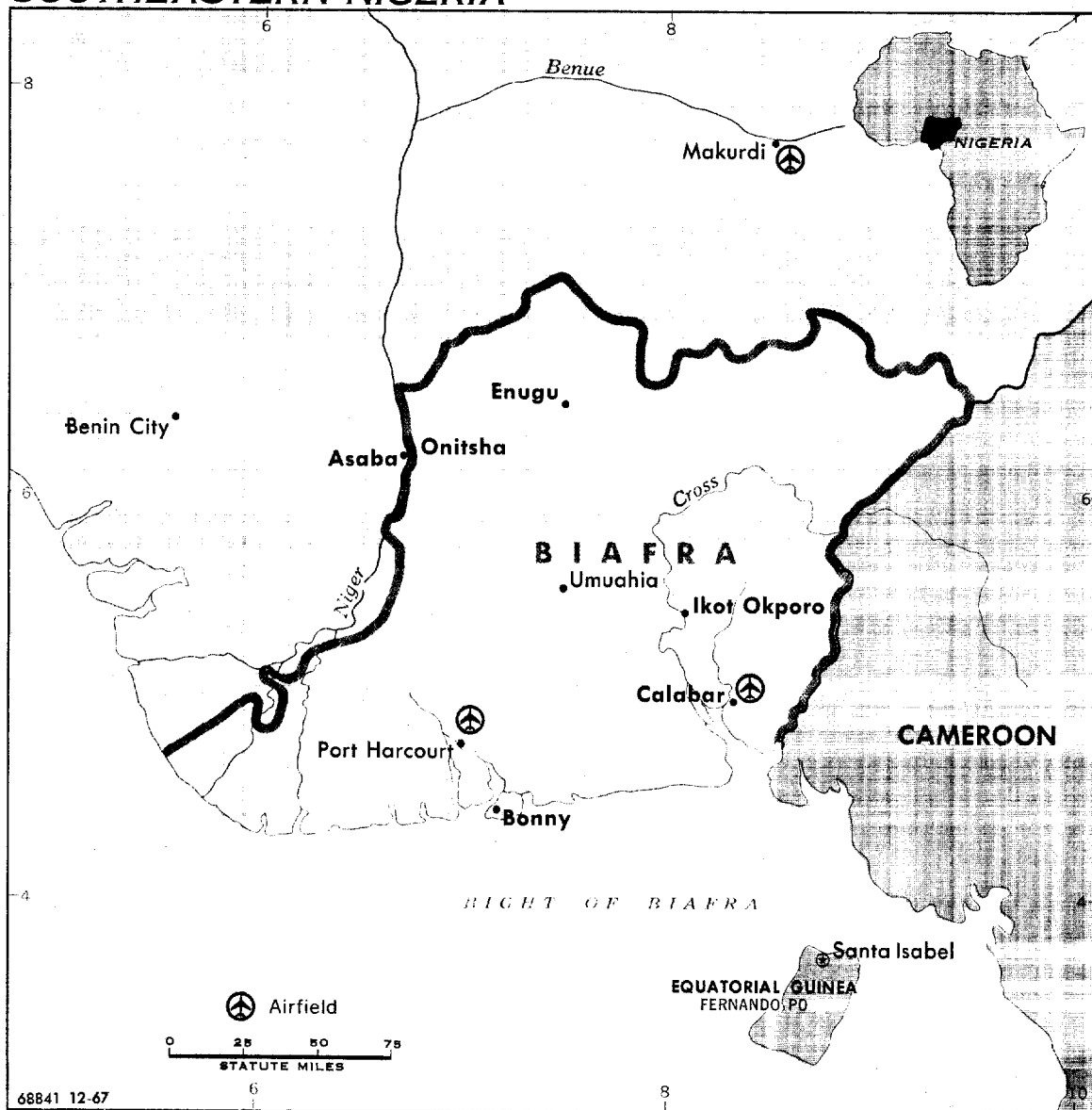
## FEDERAL MIGS ACTIVE IN NIGERIAN CIVIL WAR

The civil war remains largely stalemated on the ground, but the federal government's superior air power is helping to tighten the noose around secessionist Biafra. There has been no progress toward peace

negotiations. The federal government has indicated it will get most of its arms from Britain in the future.

Federal MIGs based at Calabar and Makurdi have raided the

### SOUTHEASTERN NIGERIA



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Biafran airfield at Port Harcourt regularly since late November. They reportedly have knocked out at least one of Ojukwu's two B-25s and his executive jet and inflicted other serious damage, including setting fire to oil tanks, to this last major point of entry for military supplies. The MIGs have bombed and strafed other Biafran towns and also shot down a helicopter that may have been carrying some senior Biafran officers. The Biafrans scored their first kill of the air war with ground fire, but their claims that a MIG was downed has not been confirmed.

On the ground, federal forces in the southeast at Calabar are continuing to push slowly north and west toward Ikot Okporo. At Bonny the Biafrans again landed a sizable force on the island but [redacted]

[redacted] thus far are restricted to a swampy corner. To the north in the Enugu area, there is a virtual stalemate. Federal troops have been unable to break out, and strenuous Biafran efforts to retake Enugu have failed. At Asaba, the federal commander has finally decided to give up on mounting an assault directly across the Niger River because of the strong Biafran defenses at Onitsha.

Lagos has decided to return to a reliance on the UK for most of its military equipment needs. In turn the UK has agreed to

supply most of what the federal government wants, including newer armored cars, artillery, and large quantities of ammunition. [redacted]

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The UK decision to support wholeheartedly the federal government is also reflected in the recent payment to Lagos by Shell-British Petroleum of over \$20 million in 1967 oil royalties. These were not legally due until after the end of the year, and the company had previously put off paying them. [redacted]

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Ghana's General Ankrah, who was directed by the OAU consultative mission to Lagos to reach Ojukwu by radio telephone, thus far has been unable to do so. There was some evidence that Ojukwu was avoiding this contact. Prospects that Ankrah will be able to persuade the Biafrans to come to terms are virtually nil. [redacted]

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## NEW REPUBLICAN REGIME IN YEMEN IN TROUBLE

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The recently installed republican regime is facing mounting military pressure from the royalists, although it is receiving some assistance from its Soviet and Egyptian allies.

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The royalists are said to be in frequent contact with a number of senior republican army officers and cabinet members, in an attempt to work out an acceptable compromise so that the royalists can enter Sana peacefully.

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[REDACTED] republican morale is low as a result of recent royalist advances.

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[REDACTED]

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## CONGO (KINSHASA) FACES POSTCRISIS DAYS

The five-month-long mercenary crisis in the Congo is nearly over. Although over 100 white mercenaries are still in Rwanda, Congolese officials appear generally unconcerned about them. All the Katangan troops who evacuated to Rwanda with the mercenaries have been airlifted back to the Congo.

Military units are being returned to their precrisis duty stations and the US C-130 operation is being terminated; the last plane is scheduled to leave the Congo this weekend. As if to prove the government's disinterest in past matters,

President Mobutu left Kinshasa for a four-week junket up the Congo River and to several neighboring countries.

There are several major problems, however, to which Congolese officials will be--or should be--turning their attention. One is the reconstruction of the eastern Congo. Much of the east still has not emerged from the bush since the 1964-65 "simba" rebellion and requires major medical and social assistance. Now Bukava and much of Kivu Province are in a similar condition.

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Secondly, there remains the problem of what to do about the military. Top Congolese officials have often admitted that the Congolese Army (ANC) needs reorganization and retraining. A major purge of top-ranking officers would be a good beginning. In the past Mobutu has been reluctant to meddle with the military, and the ANC victory in Bukavu may make the task even more difficult.

Mobutu's regime emerged from the crisis much stronger than at any time to date. This new stature comes more from popular apathy, however, than from an increase in the regime's prestige or popularity. Many tribes are unhappy with the regime, but there were no local uprisings while the government was preoccupied with the mercenaries. Nor was any mercenary group really successful in winning local people to its side. Hence the regime now has more confidence in its own survivability. Realizing that it can count on at least nonbelligerence from the people, the government has the opportunity to devote more time to constructive nation-building and less to placating the population.

Bolstered by its triumph over the mercenaries, its increased image in Africa as a result of the successful African summit meeting in September, and its new-found self confidence, the Mobutu regime now may be more dynamic--by Congolese standards--in both domestic and foreign policies. Mobutu can be expected to take the more unpopular steps necessary to ensure success of his economic reform and to keep party activists in line.

Some changes in foreign policy may be forthcoming. Congolese relations with Belgium probably will be more realistic. The government now espouses friendship and security for expatriates in the country. [REDACTED]

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[REDACTED] the much-discussed re-establishment of diplomatic relations with the USSR is in the offing. Yet, Mobutu still remains close to Western countries in general. He is especially appreciative of US assistance in particular, and his pro-Western stance is likely to remain strong. [REDACTED]

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## GHANA'S JUNTA FACING WINTER OF DISCONTENT

Ghana's National Liberation Council (NLC), still grappling with the economic and political mess left by Nkrumah, is entering a new and more difficult phase of its transitional rule.

The basically conservative military-police junta, now almost two years old, is confronted with major decisions on restoration of civilian rule, mounting criticism of its economic policies, and restive politicians. Moreover, some members of the intellectual community are becoming increasingly disaffected with the regime. Junta members now appear unsure of how to proceed, and increased frictions have developed among the junta's most influential members.

Although NLC-appointed commissions have drawn up a draft constitution, the junta has yet to consider it. Moreover, commission proposals for disenfranchising former officials of Nkrumah's party have aroused considerable disagreement within the junta. Brigadier Afrifa, the junta's impetuous maverick, has publicly taken issue with NLC Chairman Ankrah on the latter question, embarrassing the NLC as a whole.

One of the NLC's fundamental economic policies of encouraging private foreign investment is currently under heavy press attack. Many literate Ghanaians believe that the terms of an agreement negotiated with a US pharmaceutical firm are a "sellout" to US commercial interests. Some of their criticism has taken on broader anti-US dimensions. NLC members,

apparently having assumed that a national consensus existed on the junta's economic rehabilitation policies, have been shaken by the widespread criticism and are concerned that the furor may endanger the over-all economic stabilization program.

Although political parties are proscribed, several identifiable political groupings are now jockeying for position in anticipation that the wraps will soon be taken off. They can be expected to step up their criticism of the NLC's slow progress and to assert that a government run by civilians would be more capable of handling Ghana's massive problems. All of the groups are organizationally weak and must overcome deep-rooted public cynicism toward politicians. Nevertheless, it will be increasingly difficult for the junta to ignore these forces as its popularity wanes.

The strains among the junta's leaders pose the most immediate threat to the NLC's stability and reconstruction efforts. NLC Vice Chairman Harlley, alarmed at the growing influence of Ankrah, recently induced other junta members to push through a plan to curtail Ankrah's widespread power in national defense.

The NLC has also reportedly reprimanded Afrifa for his intemperate public pronouncements, such as his charge that Ghana is facing a breakdown of national unity. In addition, Afrifa's and Ankrah's penchant for engaging in politics on the side is apparently raising the hackles of some junta members.

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## WESTERN HEMISPHERE

The Organization of American States will meet again in mid-December in an attempt to decide how to break the stalemate in the election of a new secretary general.

There is considerable evidence that several member nations favor the selection of a compromise candidate. Some of those mentioned are: Sanz de Santa Maria, the Colombian chairman of the Inter-American Committee of the Alliance for Progress; Ilmar Penna Marinho, the Brazilian ambassador to the OAS; and Felipe Herrera, the Chilean who presently heads the Inter-American Development Bank. Some members are still committed to support one of the three original contenders--Eduardo Ritter of Panama, who led on the last ballot with ten votes, Galo Plaza of Ecuador, and Marcos Falcon Briceno of Venezuela. The possible withdrawal of the Venezuelan candidate would not necessarily assure his five votes en bloc to either of the others.

In any event, the prolonged delay in reaching a solution, the diplomatic pressure by the governments involved [REDACTED]

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[REDACTED] have hurt the prestige of the regional organization. In addition, the electioneering is likely to lead to some lasting diplomatic resentments, whatever the outcome.

The aura of potential revolutionary activity that followed the Latin American Solidarity Organization Conference in late summer has been dimmed by the death of Ernesto "Che" Guevara and the destruction of the Bolivian insurgency. This setback has been compounded by serious guerrilla losses in Venezuela, Guatemala, and Nicaragua; by inactivity in Colombia; and by the smothering of a fledgling group by security forces in Brazil. Although Cuban-supported groups still have the capability to cause some trouble--particularly in Colombia and Venezuela--there is reason to believe that Castro is re-examining his revolutionary strategy. If this is true, the guerrillas may be relatively inactive for a while. [REDACTED]

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## URUGUAY'S NEW PRESIDENT FACES OLD PROBLEMS

Former vice president Jorge Pacheco Areco became the president of Uruguay on 6 December following the sudden death of President Oscar D. Gestido. His assumption of office was automatic and he will serve until March 1971--the end of Gestido's term.

Prior to being elected vice president a year ago, Pacheco had not had a particularly noteworthy career. His political rise was generally attributed to luck--being in the right place at the right time. Nevertheless, his performance as vice president caused many observers to suspect that they had underestimated his abilities. From the beginning days of their association, Gestido had made an effort to build up Pacheco's image, had included him in all top meetings, and had frequently turned over to him the difficult task of getting agreement on policy and appointments from the ruling Colorado Party's many factions.

The new vice president is Alberto Abdala, a clever professional politician. He is a member of young Jorge Batlle's List 15, the most powerful faction of the Colorado Party, but relations between them have been strained in the past by Abdala's strong presidential ambitions.

The transfer of power to the 47-year-old Pacheco comes at a particularly critical time. The administration recently inaugurated a controversial program of economic austerity designed to end the country's economic stagnation, and Gestido was expected to have dif-

ficulty obtaining congressional support for these measures. Pacheco favors the new policies, but because of the changed political situation may be less able to combat the inevitable attempts to water down the program.

Another immediate problem will be a power struggle within the Colorado Party. Jorge Batlle will see Gestido's death as opening the door for him to take over the party and "run" the new President and his government. Pacheco lacks Gestido's political prestige, and harmful intraparty fights could develop.

After he settles into office, however, Pacheco should be able to cope with the intricacies of Uruguayan politics at least as well as his predecessor.  25X1



Jorge Pacheco Areco

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## PERUVIAN ECONOMIC OUTLOOK UNFAVORABLE

The Belaunde administration and the opposition-controlled Congress are again at odds, this time over the best way to handle economic problems.

The central issue in dispute is the financing of the 1968 budget now before Congress. Opposition APRA party leader Armando Villanueva has called for sharp budget cuts and a 15-percent increase in business profit taxes. Villanueva stated that Congress intends to reject many of the administration's proposals, including one for a change in income taxes. APRA has adamantly opposed new taxes that would affect its supporters, many of whom come from low-income groups.

Lima's press is reporting that other opposition parties' leaders are taking an even harder line on taxes. Some are said to favor eliminating all new taxes and cutting the administration's budget to compensate for this loss.

Lines of dispute now appear to be drawn. Prime Minister Ferrero is still backing the administration's original tax propos-

als. Moderate opposition, represented in Congress by Villanueva, is supporting some increases in business taxes, debt refinancing, and some budget cuts. Hard-core opposition--probably goaded on by APRA's coalition partner, the National Odriista Union--is opposing all new taxes and favoring only budget cuts and debt refinancing.

In this atmosphere, the US Embassy expects heavy pressure on Finance Minister De Andrea to modify the government's proposals or resign. He has already been summoned to appear before Congress to explain administration proposals, and APRA party chief Haya de la Torre has warned that the ministers of labor and probably development will also be called for congressional questioning and may even be censured.

Even if the present impasse is broken, there is no easy way out of Peru's economic woes. Budget cuts and new taxes will probably not prevent a large deficit for fiscal 1968. Resulting inflationary pressures will create more economic problems later in 1968 with adverse political impact.

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